Government of
Saskatchewan

Annual Report
1986

Saskatchewan
Pension Plan

For the Period Ending
December 31, 1986

88-02468/

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Letter of Transmittal

The Honourable F.W. Johnson
Lieutenant Governor
Province of Saskatchewan

Dear Sir:

I have the honour to submit the first Annual Report of the Saskatchewan Pension Plan for the year ending December 31, 1986.

Respectfully submitted,

J. Gary Lane, Q.C.
Minister in Charge
Saskatchewan Pension Plan

General Manager's Report

Because Saskatchewan has one of the most rapidly aging populations in Canada, and because the existing pension system leaves many people without a mechanism to plan for their own retirement, the Government of Saskatchewan decided to introduce the Saskatchewan Pension Plan.

After a great deal of work during the fall of 1985 and winter of 1986, a budget and legislation were taken to the Assembly in the spring.

In July, a group of individuals from various government departments was brought together to implement the program as soon as possible. This was an extremely busy period for those involved in working out the details of delivery. Applications started to come in from the public by September and contributions by December.

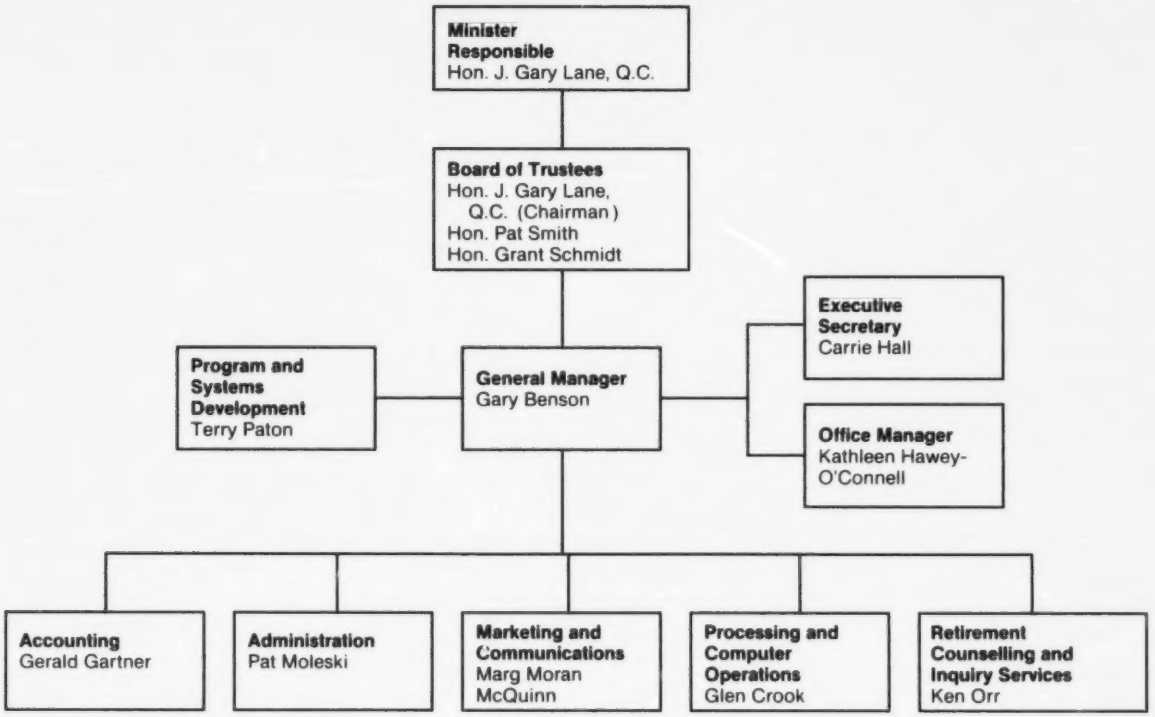
Acceptance of the program exceeded all our expectations for the first year as more than 30,000 people contributed for 1986. I expect the membership to more than double over the next several years.

We at the SPP are dedicated to providing members with cost-efficient service and, to that end, will always be looking for improvements.

I want to thank the staff and the others who helped make the implementation of the SPP such a tremendous success, particularly in view of the immediacy of the deadlines for delivery.

Gary Benson
General Manager
Saskatchewan Pension Plan

Saskatchewan Pension Plan
Organization Chart
December 31, 1986



The Plan in Brief

The Saskatchewan Pension Plan (SPP) was established to give Saskatchewan residents a greater opportunity to provide for their own security in retirement.

It is intended for those who might not otherwise qualify for or have access to the Canada Pension Plan or private pension plans, and for those who wish to supplement their pension benefits from other plans. However, any Saskatchewan resident between ages 18 and 65 can contribute.

Individuals participating in the SPP must:

- be a Saskatchewan resident and hold a valid Saskatchewan Hospital Services Plan card at December 31 for each year that they contribute; and
- be between the ages of 18 and 65.

Key features of the Plan are as follows:

- The SPP is a money purchase plan.
- The Plan is administered by a Board of Trustees, which also acts as trustee for the funds.
- There are three funds (Contribution, Guarantee, and Annuity) of which only the Contribution Fund had any activity by December 31, 1986.
- Contributions credited to members' accounts in the Contribution Fund are limited to $600 per annum.
- Contributions to the plan year may be made up to 60 days after the end of the year.
- All contributions are locked in until retirement.
- Depending on a member's personal income level, the Province of Saskatchewan may match up to $300 of his personal contribution.
- All funds are invested on behalf of the members in accordance with the provisions of *The Saskatchewan Pension Plan Act.*
- Those individuals who receive government matching contributions during the first 10 years of the Plan are eligible for the guaranteed minimum pension.
- Members may elect to retire from the Plan between the ages of 55 and 70.
- Upon retirement, members select one of three types of life annuities to provide pension benefits.

1986 Highlights

Organization

- *The Saskatchewan Pension Plan Act* was passed July 3, 1986 and received proclamation August 1, 1986.
- An interim Board of Trustees was appointed on July 31, 1986 and consisted of the Honourable Myles Morin as Chairman, the Honourable J. Gary Lane, Q.C., and the Honourable Pat Smith.
- On November 12, 1986 the Honourable Grant Schmidt replaced Myles Morin on the Board of Trustees, and the Honourable J. Gary Lane, Q.C. was named Chairman.
- The Act was amended in December with two major revisions:
  - the year end of the Plan was changed to December 31;
  - the Lieutenant Governor-in-Council was empowered to create additional funds for the plan.
- Regulations pursuant to the Act were passed effective August 1, 1986.

Program

- The SPP office became operational following proclamation of the Act in early August.
- In order to increase awareness and plan participation, a province-wide information tour was conducted during August and September.
- The Plan accepted its first member on August 22, 1986.
- Discussions with financial institutions resulted in all banks, credit unions and trust companies in the province agreeing to accept and process contributions on behalf of the SPP.
- Negotiations with the federal government regarding tax treatment for the SPP were successfully concluded in November. This set the stage for contributions, and the first SPP contribution was accepted on December 10, 1986.
- Membership distribution is:
  - By Sex

Female:	80.9%
Male:	19.1%

  - By Age

18-25:	3.4%
26-35:	14.8%
36-45:	18.3%
46-55:	25.0%
56-65:	38.5%

- By way of regulation, three funds have been created: the Contribution Fund, the Guarantee Fund and the Annuity Fund.
- The Contribution Fund contains all contributions (members' personal contributions and government matching contributions) as well as the annual distribution of the Fund's net earnings. The balance standing to a member's credit is permanently vested. Upon retirement, the balance is transferred to either the Guarantee Fund or the Annuity Fund and is used to provide a life annuity.
- All annuities are calculated using unisex actuarial tables.
- Since there were no retirements in 1986, both the Guarantee Fund and the Annuity Fund were inactive.
- The SPP Inquiry Centre was very active from the beginning and in particular in the December to March 1, 1987 timeframe (end of the contribution stub period) as indicated by the following statistics:

	August 1986 to December 31 1986	August 1986 to March 1 1987
Telephone Inquiries	8,914	24,406
Written Requests	19,029	20,036
Office Visits	30	671

Contributions

The Contribution Fund receives and records all monies standing to the credit of a member prior to retirement.

The following amounts relate to the 1986 plan year:

	Up To December 31 1986	Up To March 1 1987
Number of 1986 Contributions	9,600	30,200
Amount of 1986 Contributions	$245,000	$9,114,000
Estimated Matching Contributions	$232,000	$8,630,000
Interest Rate Credited	10%	—

Benefits

No SPP members had retired from the Plan by December 31, 1986. The first retirements and benefit payments occurred on February 1, 1987.

1987 Key Activities

- 1987 will continue to be a period of growth and development.
- In October the SPP will complete the first cycle of operations as members' individual Contribution Fund statements are distributed.
- Experience over the last months has shown a need for additional members' services. Items being considered for implementation in the near future include:
  - Pre-authorized Payments — where members may make automated regular contributions from personal bank accounts to the SPP.
  - Payment Distribution — where SPP retirees may have their monthly benefit cheques deposited directly to their bank accounts.
  - Payroll Deduction — where, through the co-operation of employers, members may have their contributions deducted directly from their personal earnings.
- These items and other enhancements to current procedures will serve to improve service to SPP members and continue its acceptance as a retirement plan to meet the needs of Saskatchewan residents.

Saskatchewan Pension Plan
Board of Trustees

Financial Statements

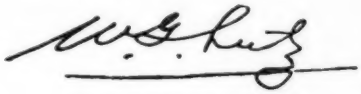
Period Ended December 31, 1986

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the Statement of Financial Position of the Saskatchewan Pension Plan Board of Trustees as at December 31, 1986, and the Statement of Operations for the five month period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1986, and the results of its operations and the changes in its financial position for the five month period then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan,
June 11, 1987

W.G. Lutz, F.C.A.
Provincial Auditor

Statement 1

Saskatchewan Pension Plan
Board of Trustees
Statement of Financial Position
As at December 31, 1986

ASSETS	
Cash	$ 150
Operating Grant Receivable (Note 3)	128,844
Fixed Assets (Note 4)	54,571
Computer Equipment under Capital Lease (Note 5)	27,075
TOTAL ASSETS	$210,640
TRUST ASSETS	
SPP Contribution Fund	$478,371
LIABILITIES	
Accounts Payable	$106,988
Computer Equipment Lease Liability (Note 5)	22,006
Deferred Revenue (Note 3)	81,646
TOTAL LIABILITIES	$210,640
TRUST LIABILITIES	
SPP Contribution Fund	$478,371

(See accompanying notes)

Statement 2

Saskatchewan Pension Plan
Board of Trustees
Statement of Operations
For Period Ended December 31, 1986

OPERATING EXPENSES	
Actuarial Services	$ 86,385
Audio Media	95,668
Computer Processing	26,358
Consulting and Contractual Services	148,859
Depreciation and Amortization	5,569
Equipment and Building Rentals	38,445
Interest - Capital Leases	792
Materials and Supplies	22,358
Newsprint	55,167
Other	1,116
Postage and Freight	75,151
Printing	184,801
Production	94,943
Salaries	163,876
Telephone	18,860
Travel and Business	17,856
Visual Media	236,318
TOTAL	$1,272,522
Expenses recoverable from the Minister of Finance (Note 3)	$1,272,522
Net operating expenses	0

(See accompanying notes)

Saskatchewan Pension Plan
Board of Trustees
Notes to Financial Statements
December 31, 1986

1. Description of the Board

The Saskatchewan Pension Plan was established August 1, 1986 through an Act of the Saskatchewan Legislature for the purpose of providing retirement income to Saskatchewan residents. At that time the Board of Trustees was established and is responsible for the administration of the Plan and acts as trustee for the funds.

As at December 31, three funds were established under the Plan with only the Contribution Fund being active. The transactions of the SPP Contribution Fund are disclosed in separate financial statements.

Contribution Fund

The Contribution Fund records the members' contributions and the matching contributions for members qualifying for government matching. The net earnings of the Fund are distributed annually amongst the members of the Fund. Balances standing to a members' credit in the Fund are permanently vested.

Guarantee Fund

The balance standing to the credit of the member at the time of retirement is transferred from the Contribution Fund to the Guarantee Fund if the member qualifies to receive the Guaranteed Minimum Pension. Pension benefits are paid in the form of a life annuity. The amount of this pension is determined by the amount of government matching contributions received during the first ten years of the Plan. The shortfall between the Guaranteed Minimum Pension and the annuity which the member would otherwise have been able to purchase is funded by the Minister of Finance.

Annuity Fund

The balance standing to the credit of the member at the time of retirement is transferred from the Contribution Fund to the Annuity Fund if the member does not qualify to receive the Guaranteed Minimum Pension. Pension benefits are paid in the form of a life annuity. The amount of the monthly benefits will be determined by the member's balance, age, the annuity rates in effect at the date of retirement and the type of annuity selected.

2. Significant Accounting Policies

The accounts of the Board are maintained using the accrual basis of accounting in accordance with generally accepted accounting principles. Depreciation of the fixed assets and amortization of the capital leases are calculated using the straight line method over the useful life of the assets.

3. Administration Costs

As stated in Subsection 3 (1) of the Act, the costs of establishing the Plan are fully recoverable from the Minister of Finance.

The portion of these costs related to capitalized assets not expensed during 1986 has been recorded as deferred revenue and will be used to offset the depreciation/amortization of these assets in the future.

Once the Plan is established, administration costs will be allocated to each Fund on a pro rata basis.

4. Fixed Assets

Fixed assets are shown net of accumulated depreciation:

	Total Cost	Accumulated Depreciation	Net Book Value
Office Equipment	$11,695	$ 195	$11,500
Computer Systems	45,605	2,534	43,071
Total	$57,300	$2,729	$54,571

5. Capital Leases

	Cost	Accumulated Amortization	Balance
Computer Equipment	$29,915	$2,840	$27,075

The following is a schedule of future minimum lease payments:

Year ending December 31:

1987	$21,030
1988	3,175
Total minimum lease payments	24,205
Less interest	2,199
Balance of the obligation	$22,006

6. Related Party Transactions

Transactions with Saskatchewan Crown controlled departments, agencies and corporations are conducted at prevailing market prices. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Saskatchewan Pension Plan Contribution Fund

Financial Statements

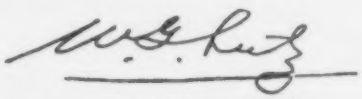
Period Ended December 31, 1986

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the Statement of Members' Assets of the Saskatchewan Pension Plan as at December 31, 1986, and the Statement of Changes in Members' Assets for the five month period then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Plan as at December 31, 1986, and the results of its operations and the changes in its financial position for the five month period then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan,
June 11, 1987

W.G. Lutz, F.C.A.
Provincial Auditor

Statement 1

Saskatchewan Pension Plan
Contribution Fund
Statement of Members' Assets
As at December 31, 1986

Investments - (Note 3)	$244,724
Matching Contribution Receivable (Note 4)	232,487
Interest Receivable	1,160
Total Members' Assets (Statement 2)	$478,371

(See accompanying notes)

Statement 2

Saskatchewan Pension Plan
Contribution Fund
Statement of Changes in Members' Assets
For Period Ended December 31, 1986

Total Members' Assets — Beginning of Period	$ 0
Additions:	
Contributions	244,724
Matching Contributions from the Minister of Finance (Note 4)	232,487
Interest Earned	930
Interest Subsidy from the Minister of Finance (Note 5)	230
Total Members' Assets — End of Period (Statement 1)	$478,371

(See accompanying notes)

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1986

1. Description of the Plan

The Saskatchewan Pension Plan was established August 1, 1986 through an Act of the Saskatchewan Legislature for the purpose of providing retirement income to Saskatchewan residents.

The Board of Trustees is responsible for the administration of the Plan and acts as trustee for the funds.

As at December 31, three funds were established under the Plan with only the Contribution Fund being active.

Contribution Fund

The Contribution Fund records the members' contributions and the matching contributions for members qualifying for government matching. The net earnings of the Fund are distributed annually amongst the members of the Fund. Balances standing to a member's credit in the Fund are permanently vested.

At the time of retirement, the member's balance is transferred to the Guarantee Fund and/or the Annuity Fund. If the member dies prior to retirement, his contributions plus any government matching together with interest on these balances is paid to his beneficiary or estate.

2. Significant Accounting Policies

These financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, income is accounted for when earned rather than received.

3. Investments

The first contribution was received by the Plan on December 10, 1986. All contributions received were deposited and held in the Plan's bank account which generated a return of prime minus two per cent. Subsequent to year end, these funds were used to purchase money market investments.

4. Matching Contributions from the Minister of Finance

This represents an estimate, based upon the contributions made by members, of the matching contributions receivable from the Minister of Finance.

5. Interest Subsidy

The Minister of Finance has subsidized 1986 earnings to an interest rate of 10 per cent.